



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 30, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **WATTS LABOR COMMUNITY ACTION COMMITTEE CONTRACT
REVIEW – A COMMUNITY AND SENIOR SERVICES WORKFORCE
INVESTMENT ACT PROGRAM PROVIDER – FISCAL YEAR 2008-09**

We completed a program, fiscal and administrative contract compliance review of Watts Labor Community Action Committee (WLCAC or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with WLCAC, a private non-profit agency to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. WLCAC is located in the Second District.

WLCAC is compensated on a cost reimbursement basis and has a contract for \$96,000 for Fiscal Year (FY) 2008-09.

Purpose/Methodology

The purpose of the review was to determine whether WLCAC complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's

accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of the Agency's staff.

Results of Review

Generally, WLCAC provided the program services to eligible participants and maintained sufficient internal controls over its business operations. However, WLCAC billed CSS \$1,227 for computers used for non-WIA activities and one unsupported expenditure. In addition, WLCAC did not always comply with WIA and County contract requirements. For example:

- WLCAC did not obtain at least 85% of their planned performance outcomes in FY 2007-08.
- WLCAC did not exit two (25%) of the eight participants sampled after 90 days of inactivity.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with WLCAC and CSS on January 28, 2009. In their attached response, WLCAC concurred with our findings and recommendations. However, the Agency indicated that instead of repaying CSS for the questioned costs, they will reassign the computers and provide documentation to support the expenditure. CSS will work with WLCAC to ensure the actions the Agency takes are appropriate.

We thank WLCAC for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

Attachment

- c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Department of Community and Senior Services
Timothy Watkins, President, CEO and Chairperson, Watts Labor Community Action Committee
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
WATTS LABOR COMMUNITY ACTION COMMITTEE
FISCAL YEAR 2008-09**

ELIGIBILITY

Objective

Determine whether Watts Labor Community Action Committee (WLCAC or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

Verification

We reviewed the case files for all eight participants that received services from July through November 2008 for documentation to confirm their eligibility for WIA services.

Results

All eight participants met the eligibility requirements for the WIA Youth Program.

Recommendation

There are no recommendations for this section.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for all eight participants that received services from July through November 2008.

Results

Generally, WLCAC provided the services in accordance with the County contract and WIA guidelines. However, WLCAC did not exit two (25%) of the eight participants sampled after 90 days of inactivity as required by WIA Directive LACOD-WIA08-38.

Recommendation

1. WLCAC management exit participants after 90 days of inactivity.

PERFORMANCE OUTCOME REVIEW**Objective**

Determine whether WLCAC met the planned performance outcomes as outlined in the County contract. The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

At the time of our review, the performance outcomes for Fiscal Year (FY) 2008-09 were not available. As such, we compared their FY 2007-08 actual performance outcomes to the planned performance outcomes outlined in the County contract.

Results

WLCAC did not meet their planned training performance outcomes as required by the County contract. Specifically, WLCAC planned to provide training to one participant during FY 2007-08. However, WLCAC did not train any participants during FY 2007-08.

Recommendation

2. WLCAC management ensure that planned performance outcomes are met as required by the County contract.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's September 2008 bank reconciliation.

Results

Generally, WLCAC maintained adequate controls to ensure that revenue was properly recorded. However, WLCAC did not always deposit checks in a timely manner as required by the County contract. Specifically, WLCAC deposited one check, totaling \$3,861, more than two weeks after receipt. According to the Auditor-Controller Contract Accounting and Administration Handbook, Part B, Section 1.2, cash receipts (i.e., cash and checks) totaling \$500 or more shall be deposited within one day of receipt.

Recommendation

3. WLCAC management ensure that staff deposit all checks totaling \$500 or more within one day of receipt as required.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 11 non-payroll expenditure transactions billed by the Agency for July and September 2008, totaling \$1,822.

Results

Generally, WLCAC's expenditures were allowable, accurately billed and supported by documentation as required.

Recommendation

There are no recommendations for this section.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals and conducted an on-site visit.

Results

Generally, WLCAC maintained sufficient internal controls over its business operations and complied with other program and administrative requirements.

Recommendation

There are no more recommendations for this section.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether WLCAC's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment and inventory listing. In addition, we performed an inventory and reviewed the usage of the two items purchased with WIA funds, totaling \$1,458.

Results

WLCAC used the equipment purchased with WIA funds for the WIA Program and the assets were safeguarded. However, WLCAC did not properly tag the two items with County property tags as required by Attachment XV, Part II, Section A.1 of the County contract.

Recommendation

4. WLCAC management ensure that inventory purchased with WIA funds are tagged with County property tags.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether the Agency obtained criminal record clearances and verified employability for the employees assigned to the WIA program.

Verification

We traced the payroll expenditures invoiced for four employees totaling \$4,162 for September 2008 to the Agency's payroll records and time reports. We also interviewed one employee and reviewed the personnel files for five employees assigned to the WIA program.

Results

Generally, WLCAC appropriately charged payroll expenditures to the WIA program. However, WLCAC did not maintain adequate documentation to support the payroll expenditures for one employee, such as the employee's timecards. The amount the Agency billed to Community and Senior Services (CSS) in unsupported payroll expenditures was immaterial. However, WLCAC's management should maintain adequate documentation to support the program expenditures as required by Part A, Section 3.2 of the Auditor-Controller Contract Accounting and Administration Handbook.

Recommendation

5. **WLCAC management maintain adequate documentation to support the program expenditures.**

COST ALLOCATION PLAN**Objective**

Determine whether WLCAC's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in July and September 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Generally, WLCAC's Cost Allocation Plan was prepared in compliance with the County contract and costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2007-08 final close-out invoice reconciled to the Agency's financial accounting records.

Verification

We traced WLCAC's FY 2007-08 general ledger to the Agency's final close-out invoice for FY 2007-08. We also reviewed a sample of expenditures incurred in April, May and June 2008.

Results

WLCAC billed CSS \$1,227 in questionable expenditures. Specifically:

- WLCAC purchased two computers in May 2008 for \$1,458. The two employees assigned the computers worked approximately 5% of their time on the WIA program. However, WLCAC billed \$1,200 (82%) of the \$1,458 to CSS. As such, WLCAC overbilled CSS \$1,127 (\$1,200 - \$73 (5% of \$1,458)).
- WLCAC did not maintain adequate documentation such as a signed incentive policy to support the \$50 in incentives provided to two youths, as required by WIA Directive YTH01-19.

Recommendations

WLCAC management:

6. **Repay \$1,227 (\$1,127 + \$100) or provide supporting documentation.**
7. **Bill CSS based on actual expenditures incurred.**
8. **Maintain adequate documentation to support program expenditures.**



WATTS LABOR COMMUNITY ACTION COMMITTEE

"Changing the face of a community... Moving the lives of a people"

10950 South Central Avenue, Los Angeles, California 90059 • Telephone 323.563.5639 • Facsimile 323.923.1474

February 4, 2009

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1965-1993

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ELIZABETH "PAT" EASTMAN

Wendy L. Watanabe – auditor- Controller
County Of Los Angeles Department of Auditor-Controller
Kenneth Hann Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California 90012-2706

**RE: WATTS LABOR COMMUNITY ACTION COMMITTEE CONTRACT REVIEW-A
COMMUNITY AN SENIOR SERVICES WORKFORCE INVESTEMNT ACT PROGRAM
PROVIDER – FISCAL YEAR 2008-09**

Dear Wendy L. Watanabe:

The following is The Watts Labor Community Action Committee (WLCAC),
response to the above mentioned fiscal year 2008-2009 review.

WLCAC is responding to your draft from the exit interview conducted on January
28, 2009

We would like to thank you and your staff for the assistance you have provided to
this agency. If you have any further questions, please contact Elton Blake at
(323) 563-5683 or via email at elake@wlcac.org.

Sincerely,

Elton Blake
Program Director

Approved by:

Parker Anderson
Human Services Manager

Cc: William T Fujioka
Cynthia Banks
Parker Anderson
Dr. Messele Negash
Arden Lux
Adriana Camacho
Mckinley Johnson

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CORRECTIVE ACTION PLAN/RESPONSES

Area (Issue/Action)	Response	Responsibility	Time Frame
<p>BILLED SERVICES/CLIENT VERIFICATION:</p> <p>Objective Determine whether the Agency provided the services... contract and WIA guidelines. In addition, determine whether the participants received the billed services.</p> <p>Verification We reviewed the documentation contained in the case files for eight participants that received services from July to November 2008.</p> <p>Results In general WLCAC complied with WIA guidelines. However, WLCAC did not exit two (25%) of the eight participants sampled after 90 days of inactivity as required by Directive LACOD – WIA 08-38.</p> <p>Recommendations WLCAC management exit participants after 90 days of inactivity.</p>	<p>Response: WLCAC concur with your this finding and will continue its implemented monthly file review to prevent and reoccurrence of this issue.</p>	<ul style="list-style-type: none"> • Program Director • Program Coord. 	Ongoing
<p>PERFORMANCE OUTCOME:</p> <p>Objective Determine whether WLCAC met the planned performance outcomes as outlined in the County contract. The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.</p> <p>Verification At the time of our review, the performance outcomes for PY 2008-09 were not available. As such, we compared the reported Fiscal Year (FY) 2007-08 actual performance outcomes to the planned performance outcomes outlined in the County contract.</p> <p>Results WLCAC did not meet their planned training performance outcome as required by the County Contract. Specifically, WLCAC planned to train one participant in FY 2007-2008; however, WLCAC did not complete any training in FY 2007—2008</p> <p>Recommendations WLCAC management: WLCAC management ensures that planned performance outcomes are met as required by the County contract.</p>	<p>Response: WLCAC concur with this finding. For FY 2008-2009 WLCAC have two (2) participants enrolled that will be exited from Training.</p>	<ul style="list-style-type: none"> • Program Director • Program Coord. • Case Manager • Job Developer 	Ongoing

WLCAC Corrective Action November 2008

Area (Issue/Action)	Response	Responsibility	Time Frame
<p>CASH/REVENUE:</p> <p>Objective Determine whether cash receipts and revenues are... records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.</p> <p>Verification We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's September 2008 bank reconciliation.</p> <p>Results WLCAC maintained adequate controls to ensure that revenue was properly recorded. However, Watts did not always deposit checks in a timely manner as required by the County contract. Specifically, Watts deposited one check, totaling \$3,861, more than two weeks after issuance. The County contract requires checks totaling \$500 or more to be deposited within on day of receipt.</p> <p>Recommendations WLCAC management: Watts management ensure staff deposit all check totaling \$500 or more within one day of receipt.</p>	<p>Response: WLCAC attributed the failure to deposit the mention check to the responsible staff being on vacation. WLCAC have revisited this process and have developed a mechanism whereby the program director and accountant will be advised as to when a check is received and to track its timely deposit.</p>	<ul style="list-style-type: none"> • Program Director • Program Coord. • Accountant • WLCAC Receptionist 	<p>Immediate and ongoing</p>
<p>FIXED ASSETS AND EQUIPMENT:</p> <p>Objective The objective of this section is to determine whether WLCAC's fixed assets and equipment purchases made with WIA funds are used for the WIA program and are safeguarded</p> <p>Verification We interviewed Agency personnel and reviewed the Agency's equipment inventory listing. In addition, we performed an inventory and reviewed the usage of the two items purchased with WIA funds totaling \$1458</p> <p>Results WLCAC used the equipment purchased for the WIA Program and the assets were safeguarded; However, WLCAC e not properly tagged the two items with County tags as required as required by Attachment XV, Part II of the county contract.</p> <p>Recommendations WLCAC management: Ensure all equipment purchased with WIA funds is properly tagged with County property tags.</p>	<p>Response: The two items were tagged. The tags numbers are as follow W0915 and W09152 respectively; additionally the counties have been notified to update WLCAC inventory.</p>	<ul style="list-style-type: none"> • Program Director • Program Coord. • Los Angeles County 	<p>This has been done</p>

Area (Issue/Action)	Response	Responsibility	Time Frame
<p>PAYROLL AND PERSONNEL:</p> <p>Objective Determine whether payroll is appropriately charged to the W/A program. In addition, determine whether personnel files are maintained as required.</p> <p>Verification We traced the payroll expenditures invoiced for three employees totaling \$4,162 for September 2008 to the agency payroll records and time reports. We also interviewed one employee and reviewed the personnel files for five employees assigned to the W/A program.</p> <p>Results Generally WLCAC appropriately charged payroll expenditure to the W/A program, however, WLCAC did not maintain adequate documentation, such as the employees time cards, to support the payroll expenditure for one employee. The amount the agency billed to CSS in unsupported payroll expenditure was immaterial. However WLCAC management should maintain adequate documentation to support the program expenditures as required by Part A, section 3.2 of the Auditor- Controller Contract Accounting and administration handbook.</p> <p>Recommendations WLCAC management maintains adequate documentation to support the program expenditures.</p>	<p>Response: This has been corrected; However, the program director will work more closely with payroll to avert any future occurrence of this nature.</p>	<ul style="list-style-type: none"> • Program Director • Program Coord. • Accountant 	<p>Ongoing</p>

Area (Issue/Action)	Response	Responsibility	Time Frame
<p><u>CLOSE-OUT REVIEW:</u></p> <p>Objective Determine whether the Agency's Fiscal Year (FY) 2007-08 final close-out invoices reconciles to the Agency's financial accounting records.</p> <p>Verification We traced the Agency's FY 2007-08 general ledger to their final close-out invoice for FY 2007-08. We also reviewed a sample of expenditures incurred in FY 2007-08.</p> <p>Results WLCAC billed CSS \$1,227 in questionable expenditure .</p> <ul style="list-style-type: none"> WLCAC purchase two computers in May 2008 for \$1,458. The two employees assigned to the computers worked approximately 5% of their time on the WIA program. However WLCAC billed \$1,200 (82%) of the \$1,458 to CSS not \$73. CSS's proportion share of the expenditure. WLCAC overbilled CSS \$1,227 (\$1200- \$73). WLCAC did not maintain adequate documentation, such as a signed incentive policy as required by Directive TYH01-19 to support the \$50 in incentives provided to two Youth participants , totaling \$100. <p>Recommendations WLCAC management:</p> <ul style="list-style-type: none"> Provide supporting documentation or repay \$1227 . Bill CSS on actual expenditures incurred. Maintain adequate documentation to support program expenditures 	<p>Response: Other computers not purchased by CSS up until May of 2008 have been used in the operation of the CSS WIA program; however WLCAC concur with your finding as to the expenditure and will reassign the two computers to CSS program staff and for utilization by CSS WIA participants.</p> <p>WLCAC have an incentive policy that is applicable to all participants and evidence to support the issuance of incentives is maintained in their files.. WLCAC will require that Directive TYH01-19 be adhered to.</p>	<ul style="list-style-type: none"> Program Director Program Coord. Los Angeles County 	<p>Immediate and ongoing</p>